Uniting Tech and Touch

Why Centaur Products Are Better for Consumers and Providers
EVIDENCE FROM KENYA

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Executive Summary

Kenya is arguably mobile financial inclusion's most mature market. It continues to lead the world in mobile account ownership, with a penetration rate of 58 percent; this compares with 14 percent in Sub-Saharan Africa and 2 percent globally.[1] It is home to numerous innovators who are now building a robust ecosystem of digital financial services encompassing loans, savings, and insurance products. The success of M-Shwari—the first large-scale product to offer unbanked customers a savings and loan product—attracted a significant flow of tech investment capital to Nairobi, and Kenya is now home to more than 20 digital loan products, along with several digital incubators and accelerators.

Because of the deep penetration and market maturity, Kenya provides an ideal place to understand how digital financial services are viewed and experienced by a population that has had several years to become accustomed to them. In contrast to traditional financial products that offer "high-touch" customer experiences through humans—tellers, loan officers and other staff—at a physical branch or in the field, customers of "low-touch" products interact with their financial service provider (FSP) primarily or exclusively through their phones. App-based FSPs typically provide only low-touch interfaces, such as in-app chat, email, Facebook, and Google Play Store communication.[2] Traditional banks, while continuing to offer "high-touch" products, have also incorporated low-touch products, with the important addition of live voice customer care.

How do consumers react to these choices? Account uptake and usage numbers show that many low-touch products are succeeding in the market. But we do not know what mix of low- and high-touch would be ideal, or would draw in still more users, nor do we know (although we do hypothesize) whether products that mix low- and high-touch—we call them centaur products—would be even more successful as they leverage the best of both worlds.

Given this context, the goal of this paper is to analyze what characterizes effective human touch in Kenya and to explain who wants it, when, and why. The paper also looks at innovative ways that FSPs marry technology and human touch to better serve their customers. This research provides a snapshot as of mid-2017. The situation is clearly in flux, and what we see today will not be the same as what we see in five years, though our findings can help guide the way.

For this study, we conducted in-depth qualitative interviews with 104 respondents. Of these, 93 had used formal financial services, 62 had used low-touch digital products, and 54 had used high-touch traditional or hybrid products. The sample draws from both urban and rural areas in Kenya. We focused only on value-added products, such as loans, savings, or insurance. Given Kenya's market maturity, we did not look at payments or money transfers. We mapped each respondent's customer journey with one product, and then asked about their preferences for each stage of the financial services product journey overall.

> **While Kenyans are comfortable conducting transactions digitally, other key aspects of the financial service customer journey are not adequately handled by digital means alone.**

Key Findings

We find that customers who use digital products are generally enthusiastic about them. Digital loans provide valued liquidity for urgent expenses or financing needed to accomplish a larger goal. Digital interface outperforms human interaction in a number of ways: digital services are more convenient (once you learn how to use them), more predictable and consistent (with the exception of loan approvals and rejections, which are often opaque), and less stressful during collections. However, when discussing their finances overall, most Kenyans, and even most users of digital products, would prefer to interact with a person face to face at key stages in their customer journey. While Kenyans are comfortable conducting *transactions* digitally, other key aspects of the financial service customer journey are not adequately handled by digital means alone.

Respondents across every demographic segment—men, women, urban, rural, smartphone, and feature phone users—had strong preferences (to varying degrees) for human interaction for getting product information or resolving a complaint. Six of every 10 smartphone users preferred to get product information from a person, compared to nearly nine out of every 10 feature phone users. Nine out of 10 rural dwellers preferred to resolve problems face to face, but even urban dwellers had a strong preference with five out of six urban dwellers preferring face-to-face interaction.

For several specific functions, particularly signing up for a product or service or asking a question, certain groups—women, rural dwellers and feature phone users—remained deeply uncomfortable with digital means. More than three quarters of women prefer to ask a question in person. Smartphone users, men, urban dwellers and customers in their twenties were more likely to prefer to use their phone for signing up for an account, performing transactions, and asking questions.

While we tend to equate high-touch with face-to-face interactions and low-touch with fully automated interfaces, there is a middle range of technology-mediated personal touch, which includes call centers, personal emails and texts, and in-app chats. These mid-range services feature person-to-person exchanges, though not face-to-face.

Why Kenyans Want Human Touch

Kenyans reach out (or want to reach out) to a human being for three main reasons during the financial service customer journey:

To establish the legitimacy of the product

In Kenya, fear of fraud was cited as a major concern by our respondents. While fraudsters operate through both low- and high-touch means, that is, over the phone and in person, most respondents felt more confident in their ability to spot a scam face to face. Almost three quarters of our respondents would prefer to interact with a human to get information about loans or savings products. Only about one fifth of respondents would prefer to interact on a mobile phone. While some respondents noted that a known brand, such as Safaricom, provides immediate legitimacy, others expressed doubt that they could distinguish a fake Safaricom text message from a real one. The phone feels like a riskier option, particularly when large amounts of money are involved.

> **"When it comes to smaller amounts, the smartphone has taken it all. But for larger amounts I will not trust [the phone]. Money is sensitive. There is a lot of personal detail. If it is not done face to face, there will somehow be fear."**
> **EUNICE, 31, CLOTHING BOUTIQUE OWNER, NAIROBI**

To fully understand the product

Respondents also said that they wanted to talk to a person face to face to get a "clearer picture" of the product because in-person communication was both more complete and accurate, and could address their specific questions. They expressed a stronger comfort level in being able to "fully exhaust" their questions during a face-to-face interaction and to "leave satisfied."

> **"I would go [in person] to receive hard information first. It has a thinner margin of error. And I could ask questions about the hidden specifics of the product."**
> **WILLIAM, 34, FARMER AND PRODUCE SELLER, RURAL WESTERN PROVINCE**

> **"Talking to a person at a branch gives [me] a very satisfying feeling that everything will be explained properly."**
> **ROSEMARY, 35, SHOE SELLER, RURAL EASTERN PROVINCE**

To resolve problems

Most respondents saw all electronically mediated forms of communication (including call centers) as ineffective in resolving problems. Unless a concern was expressed face to face, they perceived that the issue would not be taken seriously or acted upon. More than three quarters of our respondents preferred to resolve a problem or complaint in person and only 13 percent preferred to use their mobile phone.

> **"When it comes to money matters, be there. I'd rather be there and then follow up with a phone call. There are things you just don't do over the phone. You can forget about a phone call. But you can't forget face-to-face."**
> **LEAH, 43, PLUMBING PARTS RETAILER, NAIROBI**

While some respondents had positive stories about customer care, others had abysmal experiences. One respondent's bank made an "over-deduction" from his account as repayment on a digital salary loan. After five unsuccessful calls to customer care, he went to a branch to get help. But because his loan was classified as digital, branch staff would not attend to him, and instead directed him to a customer care phone in the lobby. After being denied a loan from one FSP, another respondent discovered that he was listed at the Credit Reference Bureau for an overdue digital loan from another FSP worth KES 1,000 (USD $10). When he tried to repay this loan that he had forgotten about, customer care told him that he couldn't because it had already been "written off."

It's important to interpret these results in context. M-Shwari alone currently serves 17 million Kenyans. Clearly, many users of digital products appreciate them enough to forgo in-person communication. Many prospective customers find that friends and family can be substitute experts they trust to help them choose and understand products. And yet, when thinking about their financial services overall—beyond the small, fast loans they associate with digital offerings—many Kenyans express a desire or need to interact with a human during key phases in their customer journey.

Can Centaurs Outperform Unicorns?

Based on our demand-side findings, as well as our conversations with several customer-centric innovators seeking to marry tech and touch, we envision a powerful combination of human and digital interfaces that could be better for both consumers and providers alike. Without appropriate human touch offerings, FSPs may miss out on opportunities to attract and retain more customers.

These findings remind us of "centaur chess," developed by Grand Master Garry Kasparov after his iconic 1997 defeat by IBM's Deep Blue computer program. Centaur chess teams include a computer (which analyzes all possible moves) and a human (who chooses the final

move). Centaur teams consistently perform better than human-only or computer-only competitors.[3] "Humans have certain strengths and weaknesses. Computers have certain strengths and weaknesses," said Murray Campbell, a Deep Blue developer. "Computers plus humans do better than either one alone."[4] If that is true in the orderly, insular world of chess, it's even truer in the open, messy world of providing financial services to customers at the base of the pyramid.

As has been well-documented, digital provides FSPs greater outreach and valuable cost efficiencies. Technology can provide important checks and balances to inconsistent or flawed human interaction.

Human interaction provides FSPs with clarity on the context of the customer. For example, is repeat borrowing a sign of a growing business or is it a continual grasp at liquidity to stay afloat? What environmental factors, yet to hit the digital realm, might affect customers' ability to repay?

For customers, human interaction provides an opportunity for verification of trustworthiness. It connects them to a person who can explain the product in a way they can understand. It facilitates conversation that allows for questions and helps customers obtain reassurance when they need it. And it gives them a person to go to when they have a problem, including problems generated through interactions with digital interfaces.

Recommendations

While it will continue to make sense for some FSPs, especially those with straightforward services, to specialize at the low-touch end of the spectrum, we think most FSPs, their customers, and the financially excluded would benefit from leveraging the best of both worlds.

Here's how we envision it:

Boosting Agents' Support Capacity

Agents are an underutilized asset in helping people bridge both the digital and the financial services divides. In Kenya, most financial transactions occur through mobile network operator (MNO) agents who cannot provide any support to customers beyond sending money. Internationally, most agents focus on cash-in/cash-out transactions, struggle to balance liquidity, and are minimally profitable.[5] For agents to provide meaningful support for products beyond basic payments, they must be well-selected, well-trained, well-supervised, and sufficiently motivated. Larger FSPs will need to prioritize the cost of these agent management activities. Smaller FSPs may need to band together using agent network aggregators to share costs and to achieve a broader physical footprint (and to free agents from the juggling act of balancing separate e-values for each client). Putting well-equipped agents in closer physical proximity to underserved populations would allow for the human interface needed to explain products to customers in a way they can understand (i.e., through a conversational style, in the local language, and at a speed that allows for questions).

Improving the Quality of Call Centers

For Kenyans to trust virtual forms of communication to resolve problems, they must consistently be met by friendly, knowledgeable, and caring customer service agents with excellent communication skills and a tenacious commitment to solving their problems. Much of the population will require live voice support. Improving call centers will require a significant investment in continual training and close

How Centaur Products Can Address Key Aspects of the Financial Services Customer Journey

We believe that combining human and digital interfaces in financial services provision is better for customers and providers alike. These "centaur products" will help the segment of the population that is largely uncomfortable with digital financial services transition into the segment that uses them.

Establishing Product Legitimacy

BENEFITS TO CUSTOMERS

> Digital marketing creates product interest, but needs to be verified in person for all but the savviest users.

> For tech-savvy smartphone users, chat-based interaction with a named and pictured customer service representative creates a sense of relationship. This is heightened when an individual's direct email address is provided.

> Digital information provides verification of in-person communication.

BENEFITS TO FSPs

> Banking agents and smaller, leaner FSP kiosks provide a more cost effective way to offer human touch.

> In-person verification at outset of a banking relationship is critical for many customers, particularly for larger amounts of money.

> In-person verification reduces the FSP's risk of over-indebting customers and making a fraudulent loan.

Facilitating Product Understanding

BENEFITS TO CUSTOMERS

> Customers are more willing to call to ask a question if they have a known contact at the FSP.

> Branch/field staff play a key role in explaining products to customers in a way they can understand (e.g., conversational style, answering questions, local language).

BENEFITS TO FSPs

> Digital field applications increase breadth and accuracy of customer data. They can create digitized work flows which increase staff efficiency.

> Mobile, social, and psychometric data provide varying levels of customer information based on customer segment.

> Digital customer feedback surveys allow FSPs to regularly obtain feedback from a broad section of their customer base.

> A segment of the underserved market will not initiate digital contact with an FSP. Field staff and field researchers must continually engage customers to deeply understand their challenges, aspirations, and beliefs about the product.

Resolving Problems

BENEFITS TO CUSTOMERS

> Text messages to educate customers about their rights and redressal mechanisms can complement human interactions.

> A physical branch provides assurance to the sizable majority of customers who feel that face-to-face communication is the only effective way to resolve a problem with an FSP.

BENEFITS TO FSPs

> Digital customer, transaction, and complaint resolution data gives traditional FSPs greater control by ensuring accountability, adherence to policy, and in some cases, the ability to detect fraud in real time.

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supervision, including follow-up contact to ensure customers are satisfied with the help they received. However, FSPs will benefit from increased efficiencies and customer trust.

Using "Branches" Strategically

We think it will be important for most FSPs to offer a lean but strategic physical footprint to facilitate the more advanced aspects of servicing value-added products, as well as providing assurance through face-to-face support to customers who are not able to solve problems in other ways. Freed of the need to handle cash transactions, branches could be as simple and inexpensive as a kiosk in a market. This footprint will also reduce risk to the FSP, as staff members can provide contextual verification (or modification) of credit analysis for larger loans derived from mobile data.

Forming Partnerships

Partnerships will drive the next generation of financial services and provide ample opportunity to better serve excluded populations by incorporating human touch. For example, ACRE Africa provides digital index-based crop insurance to maize farmers that is strongly buttressed by human education and support. ACRE partners with Seed Co (a high quality certified seed company which sells insured seeds as a bundle and pays premiums to the insurer), Safaricom (which provides the platform for mobile registrations and payouts), and UAP (which underwrites the risk, facilitates reinsurance, and makes

automatic payouts to farmers). ACRE provides product design, risk monitoring, and satellite data, and oversees customer training by seasonally contracted agents. Because of the human interface offered by the agents, respondents who use the product trust it and have a clear understanding of how it works, what it covers, and what it doesn't.

Similarly, KCB's MobiGro partners with farmers' associations to target smallholder farmers and pastoralists in underserved rural areas with digital loans, savings, and insurance. The associations provide in-person product education to customers and historical sales information on each farmer that signs up to KCB to ensure quality underwriting.

For smaller financial inclusion-focused FSPs or those not already in relationship with telecommunications companies or "telcos" (representing the vast majority of FSPs), field staff will continue to extend the FSP's reach, providing welcome differentiation based on human insight-driven credit assessment and stronger human relationships. Digital field applications and digitized workflows will dramatically both improve field staff productivity and customer data.

These "centaur" solutions, which involve the best of both tech and touch, will help the segment of the population that is largely uncomfortable with digital services to transition into the segment that uses them—and they will make existing digital users even happier, too. The potential is enormous.

Introduction

The arrival of digital financial services (DFS) has been a game changer in financial inclusion. A decade after the explosive success of Kenyan mobile money service M-Pesa, DFS is widely recognized as the most promising path to universal financial services. It offers broad access at a low cost—a hopeful formula in reaching the world's 2.5 billion unbanked population.[6]

In the midst of this enthusiasm, DFS has also brought a host of new questions. One of these is how and when human interfaces need to be integrated into digital products to effectively serve customers. In this report, we seek to address questions of human touch for value-added digital financial services such as loans, savings, and insurance in Kenya. We chose to examine Kenya for this study because it is inclusive digital finance's most mature market and one of its innovation epicenters. It gives us a snapshot of a population that has been exposed to these value-added digital services for several years.

Specifically, we attempt to answer:

> How are Kenyan financial service providers integrating human touch into digital products? Is it improving client outcomes?
> Where is human touch critical throughout the customer journey?
> Which segments of the target population want and need human touch the most?
> What are these customers trying to accomplish at moments when they desire human contact?
> How should financial service providers build human touch into their customer interface?

In this section, we set the scene by introducing the five main categories of Kenyan financial service providers and exploring how they fit along a spectrum from low-touch (minimal human contact during customer interface) to high-touch (lots of direct human contact). We also provide an overview of the research methodology.

The Spectrum of Financial Service Providers and Human Touch in Kenya

Financial service providers targeting the base of the pyramid generally fall into one of five categories: app-based, telco-led, bank-led, hybrid microfinance institutions (MFIs), and traditional MFIs and savings and credit cooperative organizations (SACCOs) (Figure 1). We'll look at each of these in more detail:

App-based

Application-based lenders—including Tala, Branch, and Saida—leverage "tens of thousands of pieces of [mobile] data" for credit scoring and seek to make getting low-touch loans fast and easy. "A loan is a process to achieve a goal," explained Vala Burton, Director of Customer Experience at Tala. "We want to help [our customers] to get from Point A to Point B without friction." App-based products are accessible only to smartphone users. App providers are for-profit companies, often funded with international investment capital and are not directly regulated by the central bank.

App-based lenders channel outbound communication through automated messages in the mobile app, and/or via text message or email. Customers can reach out to the provider

FIGURE 1

Customer Interface Strategy by Financial Service Provider Type

Financial Service Provider Type

App-based	Telco-led	Bank-led	Hybrid MFIs	Traditional MFIs and SACCOs

LOW-TOUCH   HIGH-TOUCH

Customer Interface Strategy for Value-Added Products

	App-based	Telco-led	Bank-led	Hybrid MFIs	Traditional MFIs and SACCOs
AUTOMATED DIGITAL INTERACTION	███	███	███	▓▓	
HUMAN-GENERATED DIGITAL INTERACTION	███	▒	▒	▒	▒
CALL CENTER		███	███	▒	▒
PHYSICAL BRANCH			▒	▒	███
FIELD STAFF				███	███
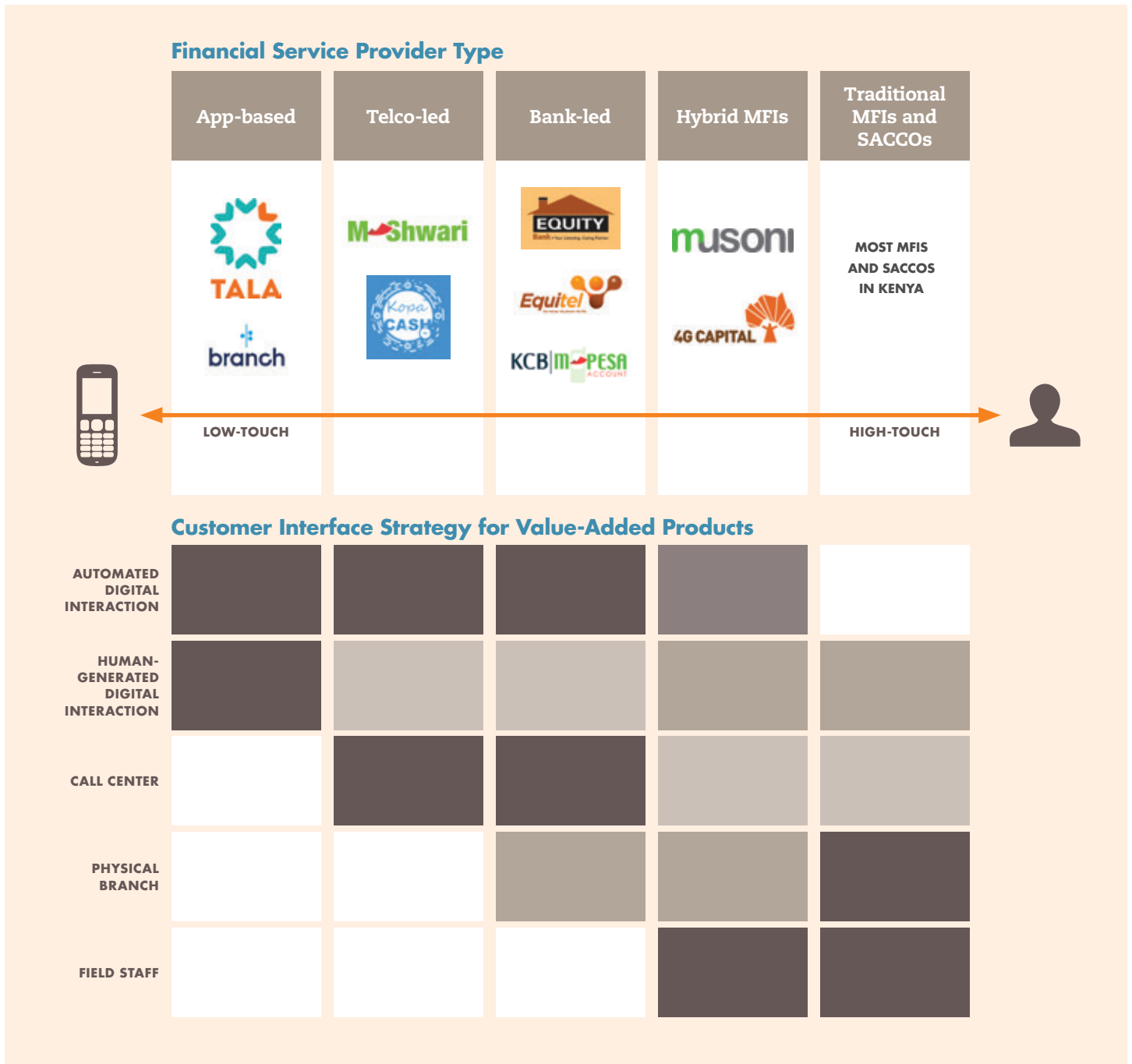
Note This is an illustrative typology of the financial services landscape beyond transactions in Kenya based on FSP interviews with management and/or branch staff. The darker shades indicate higher reliance on the customer interface type and the lighter shades indicate lower/no reliance.

Source "Cell Phone" icon by Martin Jordan from the Noun Project. "User" icon by Fission Strategy from the Noun Project.

App-based lender Tala seeks to build community among users with creative social media content, such as this Facebook post featuring Tala staff commemorating a national holiday.

Source Facebook. Screenshot by author.

through in-app chat, email, two-way SMS, social media (Facebook and Twitter), and via the Google Play Store. While rote copy-and-paste responses are not uncommon, some companies seek to differentiate through personalized responses. Vala explained that Tala personalizes every message for every touchpoint. "We are a personal company. We want our customers to feel comfortable [they are interacting with] a person who cares."

Citing the "exponentially" higher cost, most app-based lenders don't offer live voice customer care. Instead, these providers seek to foster stronger customer relationships through fast response times, a friendly and polite tone (with lots of "pleases" and "thank yous"), putting the image and first name of the customer care staff member in the chat box to show the customer who they are interacting with, and creative Facebook content that seeks to build community among users.

Telco-led

In order to offer digital financial products, telcos partner with banks (and sometimes fintechs), but customers interface directly with the telco. For example, M-Shwari customers interface with Safaricom, while KopaCash customers interface with Airtel. While loan applications are automated through SIM Card Toolkit or USSD interface, customer service is provided by a dedicated team within the telco's call center.

Bank-led

In general, large commercial banks offer two paths of interface to their customers based on whether the product is digital or traditional. Traditional loans are serviced mainly through branches, and for some products call center support is also available. For digital products, customers can find information online as well as by talking to branch staff. The loan application process is automated, usually through a SIM Card Toolkit or USSD interface. To ask questions about products, customers can either call customer care or visit a branch. Regular transactions are generally automated, though

for some products, such as Equitel Eazzy Loan, customers can also transact at the branch. When it comes to solving problems related to digital loans, all banks offer live voice customer care, but they differ when it comes to offering in-person complaint resolution. Some banks service digital loans from the branch. Many others don't, in which case branch staff will direct customers to call customer care.

Hybrid MFIs

Some FSPs seek to marry tech and the traditional field-based high-touch microfinance model to leverage the advantages of each. Strong examples include Musoni and 4G Capital. Many others are moving in this direction—including SMEP, Premier, Letshego, Jihudi Kilimo, and Unitas. Hybrids use a branch (or branch-lite) network and field officers, but also make heavy use of digital field applications to process loan applications. In the case of 4G, loan officers use digital credit scoring to speed their work, but must also validate the results through in-person business verification and cash flow analysis. Repeat loan decisions can be automated via SMS or USSD and processed in a matter of minutes. The organizations we observed require another field visit if the customer requests a larger loan.

Interestingly, a number of these providers continue to offer a traditional, group-based loan product. For example, Leah is a group client of Musoni who also regularly uses M-Shwari and Tala. Leah's most recent Musoni loan for KES 70,000 (USD $700) was processed in 48 hours. Because of the speed relative to the size of the loan and because the funds arrived to her phone, Leah considers her Musoni loan to be digital. "Musoni is phone," she said, "I'm taking my phone; so precious."[7]

Traditional MFIs/SACCOs

On the high-touch end of the spectrum are traditional MFIs and SACCOs whose only digital touchpoint is to offer payments via mobile phones. (Virtually all Kenyan financial institutions facilitate payments through M-Pesa.) In terms of customer engagement,

Respondents engage with the customer journey mapping exercise.
Source Photo by author.

the available touchpoints are similar to the hybrid MFIs, with the important exception being that customers are not able to apply for another loan of an equal or lower amount instantly through a USSD or other digital interface. Without the support of digital field applications, credit evaluation is significantly slower—often ranging from one to three weeks (even for customers entering their next loan cycle), which presents a significant competitive disadvantage. As a result, the majority of these institutions are moving towards a hybrid model, albeit at different rates.

Methodology

Our research used in-depth qualitative interviews with 104 respondents. The sample, while not statistically representative of the Kenyan population, was fairly similar in terms of gender, age, urban/rural, and smartphone/feature phone usage. The sample had diversity of income and education level, but overall was wealthier and better educated than the Kenyan population as a whole.

61 of our respondents were customers recruited by our participating FSPs. We asked each provider for eight customer contacts—four active and four dormant. In

FIGURE 2

Sample Customer Journey Map

Nancy "The network was down" — JOURNEY MAP
Effective Human Touch in a Digital Age — PROJECT
17 October 2017 — EXPORT DATE

Awareness	Understanding		Trial	Regular Use				
What is M-Shwari?	Having questions	People say it's okay	Testing it out	Using it a lot	Needing hospital care	Unable to access her money	Asking a friend	Getting care

Nancy NANCY

| What is M-Shwari? | Having questions | People say it's okay | Testing it out | Using it a lot | Needing hospital care | Unable to access her money | Asking a friend | Getting care |

Nancy NANCY'S STORYBOARD

Nancy NANCY'S DETAILED DESCRIPTION

| The first time Nancy heard of M-Shwari was a text she received from Safaricom. | She wasn't too sure about it, so she waited to see what other people who had used it would say. | She talked to a lot of people who said it worked and that she wouldn't lose her money. | She tried it, at first with just a few shillings. And then she checked to see if it was still here. | She started to use it very frequently, every couple of days, putting money in and pulling it out when she needed it. She tried it for business expenses and family expenses. | One day, her daughter got really sick and needed to go to the hospital. | She tried to get her savings out of M-Shwari, but the network was down and she couldn't get her money out. | She went to a friend to ask for the money to take her to the hospital. Thankfully, he gave her the money. | She took her daughter to the hospital, using the friend's money to pay. Then, the next day, the network was working again and she was able to pay her friend back. |

Nancy EMOTIONAL JOURNEYS

some cases, we mapped a product that was from a different provider than the referring institution to achieve a greater diversity of products mapped. We also recruited 43 respondents independently, using a mix of randomized intercept methods in low-income communities, as well as demographic-based recruiting to ensure the sample was balanced overall.

Interviews lasted about 90 minutes and included:

> A scan of current and past use of savings, loans and insurance products;
> A customer journey mapping exercise focusing on one key product experience;

> A set of questions asking whether respondents would like to interact with a person or use their mobile phone to accomplish key tasks for each stage of their customer journey for loans/savings products, as well as for insurance. Respondents were shown these two images and asked to select their preference:

For a detailed description of the research methodology and respondent sample, refer to the Annex.

Why Kenyans Want Human Touch: Cross-Cutting Themes

2

Mbugua and his wife Carol have grown their business from a small stand where they sold boiled cow heads in Nairobi, to a full butchery, a dry goods store, and a small outdoor restaurant. Mbugua is an active user of financial services—he's currently juggling four digital loans and two traditional loans. Whenever possible, Mbugua prefers to interact digitally to save time. Yet, like most respondents, Mbugua considers in-person interaction to be critical. "Face-to-face is tiresome. There's a time factor," he said. "But's 100% perfect. Your questions will be exhausted. And you can't negotiate with the phone."

Like most of our respondents, Mbugua wants to interact directly with a person to accomplish three critical tasks:

▶ To verify the legitimacy of the provider;
▶ To fully understand the product; and
▶ To resolve problems or complaints.

In our respondent sample, widespread acceptance of digital transactions is evident, but nearly all other functions require some level of human support. Of the 62 respondents in our sample who were actively using one or more digital loan products, the preference was

FIGURE 3

Interaction Preferences, Customers Actively Using Low-Touch Digital Services (N=62)

Legend:
- Prefer to interact on a mobile phone
- Prefer to interact with a human
- No preference—both are okay

Categories (x-axis):
- GETTING INFORMATION ABOUT LOANS OR SAVINGS OPTIONS
- SIGNING UP FOR ACCOUNT OR SERVICE
- CONDUCTING REGULAR TRANSACTIONS (e.g., depositing or withdrawing savings; getting or repaying a loan)
- ASKING A QUESTION WHEN CONFUSED ABOUT SOMETHING
- RESOLVING A PROBLEM OR COMPLAINT

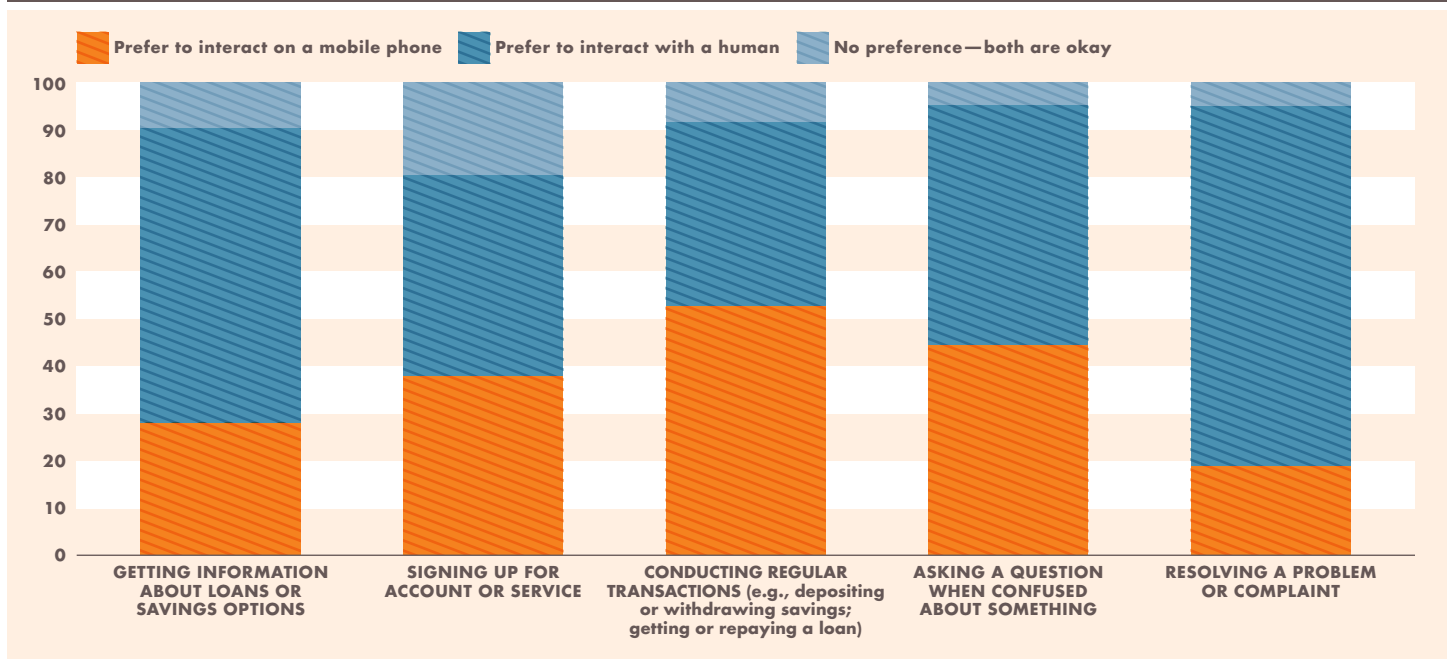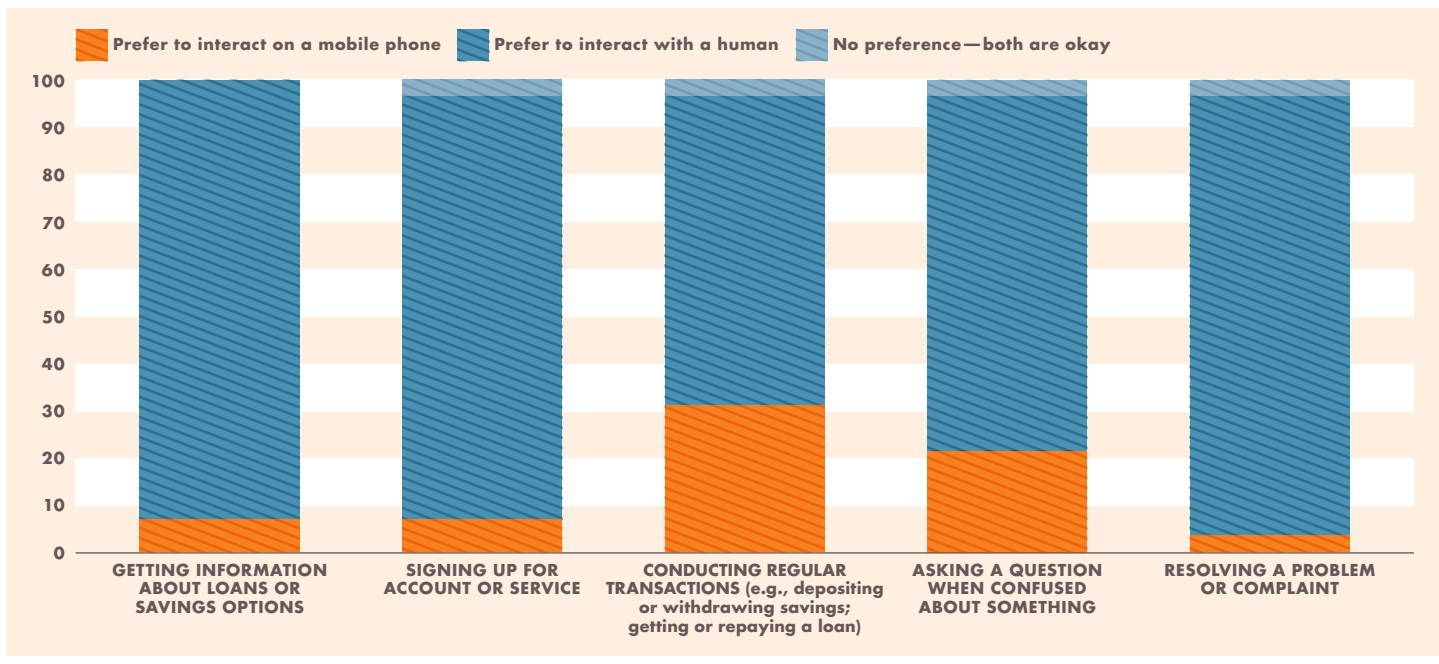UNITING TECH AND TOUCH: WHY CENTAUR PRODUCTS ARE BETTER FOR CONSUMERS AND PROVIDERS   13

FIGURE 4

Interaction Preferences, Existing Customers Using Only Traditional (Non-Digital) Formal Loan and Savings Products (N=29)

Legend: Prefer to interact on a mobile phone | Prefer to interact with a human | No preference—both are okay

Categories: GETTING INFORMATION ABOUT LOANS OR SAVINGS OPTIONS | SIGNING UP FOR ACCOUNT OR SERVICE | CONDUCTING REGULAR TRANSACTIONS (e.g., depositing or withdrawing savings; getting or repaying a loan) | ASKING A QUESTION WHEN CONFUSED ABOUT SOMETHING | RESOLVING A PROBLEM OR COMPLAINT

most striking when getting information about products and resolving a problem or complaint.[8]

29 respondents in our sample were using formal financial services such as banks, MFIs, or SACCOs but not low-touch digital products. Their preferences followed the same pattern, albeit with a stronger preference for human touch. About a third of this segment preferred to transact digitally, but the comfort level was much lower in all other stages of the customer journey.[9]

To unpack these findings, we'll first explore overarching reasons driving the desire for human touch before taking a more segmented look at our respondents' preferences.

Reason #1: Verifying Legitimacy

The first key reason that respondents were keen to talk with another human before using a new financial product was to ensure that the offer was legit and performed as expected. Fear of fraud was a significant theme throughout the interviews. Most respondents felt more confident in their ability to spot fraud face to face rather than through their phone.

"Nowadays people are using the phone to rob people. It's better to go to the bank and get the information from there."
HEZRON, 37, INFORMAL CAR WASH OWNER, NAIROBI

"It's difficult to trust social media since there is so much fraud."
ABASI, 32, CART PULLER, WESTERN PROVINCE

"[In person] you can see the way [the people offering financial services] are behaving. Face to face you will learn so many things."
HELEN, 24, NURSE, NAIROBI

Looking for a testimony

Respondents cited going to a bank branch as protection from in-person scams. As Boniface, a 31-year-old farmer and bodaboda (motorbike taxi) driver in rural Eastern Province, explained, "Going to the branch you get the correct information. There [are more] fake agents from most of the banking and SACCO institutions that move around recruiting people. That has made people keener on who they deal with."

However, when it comes to an unsolicited product offer or advertisement, respondents almost universally used the same mechanism to establish the legitimacy of the provider, regardless of whether the product was digital or traditional: they turned to trusted people, including friends, family, neighbors, and coworkers for advice.

A strong majority of our customer journey maps (80 out of 93) included the recommendation of a friend, family member, neighbor, or coworker near the beginning of the journey. In some cases, the respondent wasn't particularly looking for a loan at the time and only tried the product weeks or months later when a specific need arose. In other journeys, the respondent was facing an immediate need and tried the product instantly, often with the referring friend walking them through the process. A common pattern for the latter was when a respondent would approach a friend to borrow money and that friend would redirect them to a digital product. Figure 6 shows an example from Peter, in rural Machakos County, who was in his first year studying social work at university. In this customer journey, Peter's friend was empowering him with a longer-term solution beyond giving him money for lunch. More frequently, the person being asked for money simply didn't have it or was seeking to deflect the request. For example, Josephine, 32, a landlady and chicken and pig farmer in rural Western Province, was sick and didn't have the money she needed to go to the hospital. After approaching several friends, Josephine's sister, who also didn't have any money to lend her, told her about KCB M-Pesa and instructed her to "dial *844#." She received a loan of KES 1,000 (USD $10) which allowed her to go to the hospital.

Kiama, an electronics and stationary vendor in Nairobi, described asking a friend to borrow KES 5,000 (USD $50) to make a purchase for his business. His friend asked, "Have you tried Tala?" Kiama explained that when he heard his friend's question, he laughed because he had been frequently seeing and ignoring a Facebook ad that said, "Have you tried Tala yet?" Kiama explained, "There was no one who told me about the application and whether it worked or not. But when he told me, I trusted [him]. I was looking for that testimony from someone who has used it."

FIGURE 5

Naila Takes Out a Digital Loan

Naila   NAILA'S DETAILED DESCRIPTION

Naila received a text advertising M-Shwari.	Naila was skeptical at first, wondering if these people were like "agents" who wanted to misuse her money. "What do these people want from me?" she wondered.	Her brother, who had already tried M-Shwari, reassuringly told her, "No, these are not agents. They are good people."	Naila tested out M-Shwari and saw that her money was safe.

FIGURE 6

Peter Borrows Money for Lunch

Peter   PETER'S STORYBOARD

Peter   PETER'S DETAILED DESCRIPTION

Peter was at university — one day, he had no money for lunch. He needed KES 100 (USD $1) to buy it.	So he asked a friend from his class.	Rather than giving Peter the cash, his friend sent KES 300 (USD $3) from her M-Pesa account to his, and showed him how to open an account on M-Shwari using his SIM Card Toolkit.	Peter deposited the money sent by his friend in his M-Shwari account and immediately got a loan in order to buy his lunch.

Other means of verification

Not all respondents needed the testimony of a friend to try a new product—13 of the 93 customer journeys we mapped did not include the recommendation of a friend or any in-person investigation to build trust before using a new product. One such respondent was Wycliff, 24, a frequent user of KCB M-Pesa who sells bananas in Nairobi's Kibera market. "I saw the advertising on TV and said, 'I want to try.' I don't have time to go and talk to someone at the bank. And the bank doesn't have someone here."

A few respondents tried M-Shwari based on brand trust with Safaricom, which prompted users via text message; however, a few others expressed doubts about knowing whether a text that said it was from Safaricom was actually from Safaricom. Mass media marketing campaigns from trusted brands that show users how to initiate contact provided a higher comfort level. When the user initiates product use, functionality rather than fraud is the primary concern. For example, Julius, 32, a market broker in Eldoret explained, "I was just trying to see [if] it really [gives] loans."

Five respondents—who were among our heaviest digital users—sought out new products in the Google Play Store, on Facebook, or after a Google search. These respondents already had experience with two to six digital products and felt confident enough to find products online without verification from a friend.

Building trust

While many respondents were hesitant to try a digital product without the testimonial of a trusted person, once customers got over that hump, receiving money was an immediate trust builder, particularly when the arrival of that money met an urgent need. Marcy, a principal of a private school in Ruiru, felt an affinity toward M-Shwari because it prevented her from sleeping on the street. She had heard about M-Shwari from her women's group and started to save through her phone. She was traveling from the village and needed money to fuel her car. She remembered M-Shwari, applied for a loan, and received KES 1,000 (USD $10). "Otherwise I would have spent the night on the road," she recalled.

Newton is a 25-year-old entrepreneur with an academic paper writing business that has 16 subcontractors. When he needed a loan for day-to-day expenses, he said that the easy application process (which took ten minutes) and the fast arrival of his loan (in three minutes) was a "wow factor" (Figure 7). Even more impressive to Newton was getting a text and an (automated) email from a named customer service representative. He appreciated having a specific person's email address that he could contact if needed.

Finally, the sheer functionality of digital products builds trust over time. Naila, the housekeeper who overcame her skepticism of M-Shwari in an earlier journey map (Figure 5), came to believe more concretely in the legitimacy of M-Shwari through her own experience and through the experience of her family members. After "pushing" money in and out of M-Shwari, Naila, who had never borrowed formally previously, built her credit

FIGURE 7

Newton Is Wowed by Speedy Onboarding Process

Newton · NEWTON'S STORYBOARD

Newton · NEWTON'S DETAILED DESCRIPTION

One day last November, Newton needed KES 1,000 for day-to-day expenses for the new business he was setting up. He asked a friend to borrow it. She told him that he should "download the Tala app" and that he'd get money right away. Newton immediately trusted the product because of his friend's recommendation, and said he had no concerns or questions.

The next day, Newton downloaded the Tala app. Filling out the application was easy, and took him about 10 minutes. The money came instantly — in less than three minutes. An additional "wow factor" for Newton was that in addition to getting a text, Newton got an email from Mary Kiono, "I don't know if she's the owner." He appreciates having an individual's email he can reach out to if he needs to. (He hasn't so far.) Newton said he didn't know how much the loan would cost him in interest until after he took it, but he said that it didn't bother him.

limit on M-Shwari to KES 20,000 (USD $200) without ever reaching out to customer care. "They are not frustrating you, that's the goodness of M-Shwari. You don't have to go back, bring papers, come back. It's your bank and you have it in your pocket." When Naila's son lost his phone but was still able to recover the KES 2,000 (USD $20) in his M-Shwari account once he got a new SIM-Card, her trust increased even more. "It's very safe," she said. "You lose only your phone, not your money. Because the person who has your phone still doesn't have your PIN, your secret number."

However, other respondents, while affirming that receiving funds confirmed in their minds the legitimacy of the provider, still expressed a more tentative level of trust with virtual providers. When asked if he considered his app-based digital provider a "trusted partner," one respondent answered, "I can't say I don't trust them. I trust them because they first trusted me with their money. It's very difficult to find someone who doesn't know you to give you money." Another said, "They are trusted because they give me a loan and they don't even know me. I wish they just improve their communication to make customers to feel and be a part of the organization. If I keep communicating [with] you, I get to trust your more, even if I haven't seen you."

Reason #2: Understanding the Product
Beyond talking to a trusted person to verify legitimacy, respondents also said they wanted face-to-face interaction with a human to better understand the product.

"I like to interact with a person before I go to my phone. Through the phone there are things I don't understand. When I first started with this SACCO, there are many things I don't understand. For me it's easier [to interact with a person]. I know the advantages and disadvantages. I know the interest and how much I am supposed to pay. It's good to know them by their names and faces. [The SACCO employees] even give you their phone number. If you have a problem, they'll respond."
ALICE, 30, HOSPITAL CUSTODIAN, NAIROBI

"I'd rather interact with a person, because I get a much clearer explanation of the issue. They usually give you enough time when you are face to face. On the phone they don't give you so much time. When you are one on one, you can ask so many questions. Maybe I'm limited on airtime. Or the connection is a problem."
KIAMA, 31, ELECTRONIC AND OFFICE SUPPLIES VENDOR, NAIROBI

"It's good to handle issues on money personally. At least you get a clear explanation."
WILLYFRED, 41, MAIZE AND BEAN FARMER, RURAL EASTERN PROVINCE

"I would come to the office to understand. I'm not wasting my time."
SIMON, 42, POTATO FARMER AND WHOLESALER, RURAL KIAMBU

"Maybe I don't understand in English. I go to the bank and I tell the manager, I want someone to explain this to me in my mother tongue."
MUTHEU, 34, PROPRIETOR OF 15 CLOTHING STANDS IN KIBERA MARKET, NAIROBI

One key reason a number of respondents preferred in-person interaction was because it didn't require money spent on airtime. "I just walk into the bank and get all the information I want for free," said one respondent. Some rural respondents said they didn't have their banks' phone number so they couldn't call them. Others mentioned feeling rushed during customer care calls. Still others were frustrated by breaks in e-chat conversations, the slowness of their FSP to pick up calls or reply to emails, poor quality telephone calls due to network coverage, or the network being down—all reasons that respondents cited for preferring to ask questions in person.

Interestingly, a number of respondents described face-to-face interaction as time-saving. They explained that the time it would take to fully understand the product at the outset would be less than the time needed to resolve a problem than might come from not fully understanding it.

About a third of our respondents said they would like to ask questions over the phone for convenience and speed. All but five of these said they would like to speak to a person using their phone. "I call the bank customer care, this saves me the time to go to the bank," explained one respondent. "When it comes to questions, you need immediate access to a person through the phone. Chat is slow—it can take 24 hours." Of the remaining five respondents, four preferred to ask their FSP questions via text and one preferred Facebook.

Several respondents also said if the question was simple, a phone call would be fine. But if the question was complicated, they preferred to go in person.

Product Misunderstanding

Regardless of whether or not respondents had made use of an in-person interface when selecting their financial products, there were two areas in which products were widely misunderstood by respondents: interest rates and insurance.

Interest rates

Most respondents didn't have a clear idea of the relative price of their various loans—even when the difference between shorter terms (and their associated monthly or facilitation fees) and longer terms (and their associated annual flat rates) was substantial.

Many of our respondents, including many well-educated ones, thought of the price of the loan in terms of the total interest amount to be paid, regardless of the duration of the loan. This makes it difficult to compare rates in the market. One respondent in Narok County was asked whether his 7.5 percent monthly digital loan was a better deal than his 18 percent annual traditional loan. He, like many respondents, answered that the 7.5 percent rate was a better deal. The interest rate disparity becomes even larger when monthly flat rate or facilitation fees are paid two to four times per month, as was the case with some of our respondents.

This is an area where FSP staff, including loan officers, could sit down with a client using a powerful graphic showing how one KES 10,000 (USD $100) loan that is cycled through a business monthly for twelve months and repaid at the end of the year at a "higher" percent annual rate is a better deal than 12 loans for the same amount paid monthly at a "lower" rate.

Insurance

A number of respondents who had private coverage were confused about how to use it as well as how insurance worked in principle. Achieving clear product understanding is particularly challenging for insurers in Kenya. Insurance is often associated with fraud due to the collapse of several large insurance institutions (including a parastatal) that were not able to pay beneficiaries. Insurers have the added complexity that they must interface with end users through a distributor, regardless of whether a product is high-touch or low-touch. Low-touch products in Kenya are distributed through a telco, either using a "freemium model" to promote airtime loyalty or through a platform such as M-Tiba, a healthcare-focused partnership of Safaricom, PharmAccess, and CarePay. High-touch traditional microinsurance products are distributed through MFIs and SACCOs as well as employers. In both cases, distributors may have differing incentives, priorities, or time constraints. And in both cases, a more integrated combination of tech and human touch would boost product understanding.

For example, M-Tiba is a platform that enables people to save, send, receive, and pay money for medical treatment though a mobile health wallet, and can also be used for benefits such as vouchers or insurance. It has registered almost one million Kenyans, and 140,000 of these are active. Martin, a 26-year-old who works in a small posho (flour) mill in rural Machakos Country, registered for M-Tiba during a Safaricom promotion event that was held in his village, but his account is inactive. "I like it, but I'm not sure," said Martin. "I'm 50/50 on whether I trust it. It's like a cartoon on my phone. I registered, but I didn't understand what insurance is." A "one and done" in-person promotion model was not enough to convert Martin to regular usage.

Like other higher-touch products, traditional insurance would benefit from a more robust use of technology. A number of our respondents were low-income wage earners whose employers provided traditional private insurance coverage beyond the government-mandated National Health Insurance Fund (NHIF). However, in our interviews, misconceptions about insurance were extremely common. For example, a number of respondents did not understand that the private coverage provided by their employers was supplemental to the NHIF and that they needed to present both cards together when going to the hospital. One respondent described two experiences of being denied coverage for emergency care after presenting her private card—once when her baby was burned and a second time when her son broke his leg. In both cases, she summoned her husband to provide the NHIF card, but left both experiences not understanding that she was supposed to present both cards. She directed her ire towards both her employer and the private insurance company. "It is even useless for me to have this card," she said. A number of other respondents had discarded their NHIF cards altogether, thinking the private coverage was a replacement rather than a supplement.

Rather than perceiving private coverage as a benefit offered by her employer, another respondent questioned whether her employer was profiting from the arrangement. She was unclear on who was paying for the insurance and posited that her employer was pocketing the difference between her annual benefits paid and her plan's benefits maximum. While many distributors are protective of the relationship with their employees or customers, the consistency offered by direct digital interface between insurer and end user would benefit all parties. Insurers could provide digital messages such as "Bring both your [private insurance] card and your NHIF card when you go to the hospital" and other basic insurance education. This would minimize frustration and mistrust among users. Beyond employer distributors, direct digital interface is needed for MFI and SACCO distributors. Based on low claims ratios, a number of insurers posit that MFIs and SACCOs inconsistently communicate to clients the full

benefits of mandatory credit life products (such as funeral coverage). Direct interaction would benefit users and subsequently happier users would benefit employers and FSP distributors. This could also be supplemented by direct communication through in-person meetings between end users and the insurance company to give end users a chance to ask questions and build trust.

Reason #3: Resolving Complaints

The third major reason Kenyans want to interface with a person is to solve problems. One segment of the Kenyan population is completely comfortable communicating complaints digitally, as is evidenced by a visit to any low-touch financial service provider's Facebook page (Figures 8 and 9). But based on our sample, this is a small minority. More than three quarters of our respondents said they would rather interact with a person—and most were very adamant about it.

Many respondents expressed that face-to-face complaints would be "remembered" and "taken seriously" unlike virtual forms of communication.
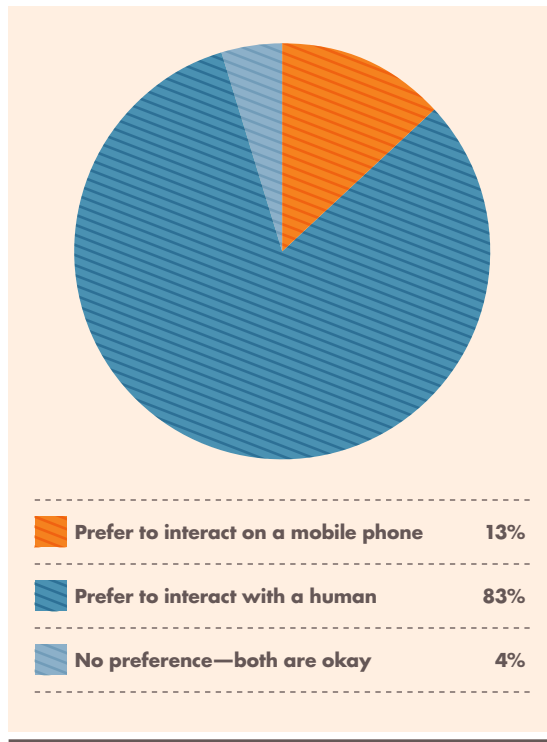

FIGURE 8

Customers Lodge Complaints via Facebook

FIGURE 9

Interaction Preference for Complaint Resolution, Existing Customers (N=93)

■ Prefer to interact on a mobile phone	13%
■ Prefer to interact with a human	83%
■ No preference—both are okay	4%

"When it comes to money matters, be there. I'd rather be there and then follow up with a phone call. There are things you just don't do over the phone. You can forget about a phone call. But you can't forget face-to-face."
GRACE, 43, OWNER OF A MEDIUM-SIZED PLUMBING PARTS RETAILER IN NAIROBI WHO PREVIOUSLY WORKED FOR A BANK

"When done personally, there is assurance that everything will be solved immediately."
MIRIUM, 36, DATA ENTRY WORKER AND OWNER OF A WOMEN'S CLOTHING BUSINESS, ELDORET

"If you visit the bank they see the seriousness."
MARCY, 40, PRIVATE SCHOOL FOUNDER AND PRINCIPAL, RUIRU

"With the bank people I visit face to face, you can read the feelings. On the phone I can't see. Face to face, it's easier to build trust."
EMMANUEL, 33, PRIVATE SCHOOL FOUNDER AND PRINCIPAL, RURAL KIAMBU COUNTY

"Queuing is the most bitter experience. But if something needs to be rectified, you need to go or later they might forget about it."
KIAMA, 31, SELLER OF ELECTRONICS AND STATIONER, NAIROBI

The customer journeys provide deeper insight into why customers who prefer in-person interaction to resolve problems do so. Edwin, a private security guard in Nairobi with a primary school education who earns KES 15,000 (USD $150) per month, has a salary account at a major bank and has taken a salary advance loan several times, repaying over several months. In December 2016, the bank made a salary deduction on a loan that Edwin neither asked for nor received. Edwin called customer care but they did not help him. Edwin finally solved the problem by talking to a branch manager, who rectified the error. Later, Edwin decided to take out a loan for the holiday season for KES 13,000 (USD $130). In January, with Edwin's permission, KES 4,000 (USD $40) was automatically repaid. After that, however, the bank switched from automatic payroll deductions to a system where the customer must initiate monthly loan repayments through their phone. Edwin said that the change wasn't communicated well, and he didn't know how to use the mobile app to repay. "It's confusing," he said. He noticed that no deductions were made from his account in February or March, but did not take any action. The week before he was interviewed for this research, all of Edwin's April paycheck was deducted by the bank. Edwin said he had not received any notices of penalties and he considered this an "over deduction" since his salary was higher than his loan balance. Edwin said he was counting on money from that April paycheck to repay a different digital loan and to support his three young children and pregnant wife. Edwin described calling his bank's customer care line five times in the previous week. Each time, he talked to a different person who wasn't able to help. He also went to a branch, but because his loan was now considered a mobile product, staff members would not attend to him. He was directed to a phone in the lobby that was connected to customer care. "I'm tired," Edwin said, visibly fighting back tears. "There's a

bit of confusion… their systems are not good. They can't understand me. That call center doesn't even help."

Lewis is 28 years old and owns a CCTV installation company in Nairobi that employs two additional people besides him. His company netted about KES 2,100,000 (USD $21,000) in 2016. Like most respondents, he first tried borrowing digitally at the recommendation of a friend. He tried a SIM toolkit-based loan from a major bank when the product first came out and borrowed KES 1,000 (USD $10). "I completely forgot about it. I even forgot the PIN… They sent reminders but I was very busy. I had forgotten the PIN so I couldn't access to pay the loan." Lewis later applied for a digital loan from a different bank where he holds his savings account and had previously repaid a KES 50,000 (USD $500) loan that he accessed through a branch, but his application was declined. He was upset because of his "very huge history with them." After discovering he had been negatively listed at the Credit Reference Bureau (CRB), Lewis sought to repay the original KES 1,000 loan, but was told by the bank's customer service that he couldn't because it had been written off. "You know, customer care is a piece of work. Most of the time people are guessing. They don't know what to do. It's a waste of time," he lamented. He has not been able to clear his negative listing at the CRB, hampering his ability to access lower cost credit for a new business that he wants to launch.

On the other hand, a number of our respondents also had positive stories involving customer care. One respondent reported that a customer care agent informed him of a double payment on a loan. "If he hadn't told me, I could have paid twice."

Peter, the student who opened an M-Shwari account so he could borrow money for lunch, also had a positive experience with customer care, as depicted in his customer journey (Figure 10). Peter said he felt "valued as a customer" and would recommend M-Shwari to a friend "if they are disciplined."

Christine, a 58-year-old green grocer, has a very different view of M-Shwari based largely on misconception. Christine received a text about M-Shwari and after checking it out with her friends, she began saving and borrowing.

Peter Has a Positive Customer Service Experience

Peter needed to leave his university social work program after his first year because his father passed away and his family could no longer afford tuition.

At first, Peter went to Nairobi and sold water in his family's business. During this time, he borrowed monthly from M-Shwari KES 5,000 (USD $50) and repaid on time. Then Peter decided to go back to his village to grow tomatoes. He borrowed KES 7,000 (USD $70) for inputs.

Before harvest, Peter became ill and needed to go to the hospital for an emergency heart surgery. He asked his brother to care for his tomatoes, but the crop struggled. Peter (who had strategically gone into arrears the month after he borrowed) was not able to repay when he expected, and he even stopped depositing on M-Pesa, because he was worried that the money would be taken by M-Shwari.

Peter got a message that he would soon be reported to the CRB and he "stressed." Peter called customer care to explain his situation. The customer care agent listened to his story assured him that as long as he kept making small payments, he would not be reported to the CRB. Peter came away from the conversation feeling "relaxed and stressed at the same time," he said. Explaining the situation now felt manageable, but he would have to exert effort to find work.

All was well until her fourth loan when her business "went down" and she delayed her payment. Christine began to regularly receive SMS messages from M-Shwari. She found the messages very stress-inducing. During the interview, she demonstrated how she was physically on edge and would jump when the phone pinged—she said she never knew when it would happen. Christine believed, mistakenly, that Safaricom would put a restriction on her line and only allow her to use her phone to call two people if she did not repay the loan. This was fear-inducing as her phone is her primary way to connect with her five adult children and is also necessary for her business. Finally, she said she got a text from M-Shwari saying that she would not be able to borrow for the next six months, which she described as being "red-carded." As soon as she was able, she repaid the loan but remains adamant that she will not use the product again. When we asked if she ever called customer care to discuss her loan or what would happen if she didn't repay, she said that it never occurred to her to try and that she didn't think it would be helpful if she did.

Peter and Christine's responses to being in arrears with the same provider are

Two respondents found frequent collections texts so disturbing that they both put their phones away and out of earshot.
Source Photo by author.

illuminating. Peter is male, 24, and has one year at university. Christine is female, 58, and left school after standard (grade) 7. Their responses are indicative of overall demographic patterns we observed, which we explore in more detail in section three.

Loan Collections: Digitally and In Person

A significant number of our respondents had or were experiencing a loan collections process. (Half of the respondent sample from each FSP consisted of inactive clients—and most of these were inactive due to arrears or default). For both low-touch and high-touch products, there was a broad range of experiences and responses.

Low-touch products tended to be less stressful for respondents overall—though the threat of Credit Reference Bureau (CRB) listing was very stress-inducing for some respondents. For respondents who contacted customer care, a number of digital lenders did offer some flexibility—such as a 7-day penalty-free extension for repayment.

However, a number of our respondents, like Christine, found digital follow-up and the threat of CRB listing—to be extremely stress producing to the point that they felt it was affecting their health. Several described receiving multiple texts per day from one provider. And two described hiding their phone where they couldn't hear it to alleviate their stress. These respondents tended to be rural, female, and older.

However, at the other end of the spectrum were customers who had discovered that they could still access digital loans while listed at the CRB and no longer considered it a threat.

Several digital providers track but do not include CRB listing in their credit assessment. "So much of it is inaccurate," explained one provider, noting that many FSPs don't remove names of people who have repaid the loan until they complain. "We don't want to penalize people." The respondents who were not worried about CRB listing tended to be urban and male.

When it came to collections for in-person loans, respondents' stress level was consistently higher. A number of respondents pointed out that follow-up was often inconsistent and could be harsh—and at times even fraudulent.

Sharon, a grocery wholesaler in Nairobi who also farms and raises chickens, was a group loan client at a major microfinance institution. After multiple successful loans, her 15-member group disintegrated last year when several members were unable to repay their KES 1 million (USD $10,000) loan. Sharon's loan officer told her that since she was a good repayer she qualified for an individual loan of KES 200,000 (USD $2,000). However, after signing the paperwork, Sharon discovered that the entirety of that loan, plus her KES 80,000 (USD $800) savings, were used to repay the group loan and nothing was disbursed to her. "It was a trap," she said. She had had a somewhat similar experience with a different microfinance institution following the post-election violence in 2007. After her business was burned to the ground, she applied for an emergency loan, but didn't realize that half of it would be used to repay her previous loan. Unable to fully rebuild her business, Sharon went into arrears and was blacklisted at the CRB. When we spoke to Sharon, she had given up on in-person lenders and decided to use M-Shwari exclusively, even though her borrowing limit is much lower at KES 7,500 (USD $75). "This is my bank now," she said. "I wish I joined M-Shwari before I joined these SACCOs [and MFIs]."

Several of our respondents also spoke of witnessing assets being seized from their neighbors by a financial institution. Melanie, a fruit seller in rural Machakos County, was happy with her hybrid microfinance company. "If you are not okay, you go to the office and rectify. You don't lose a single cent." But another MFI that operated in her village had repossessed assets from several of her neighbors. "You feel so bad. They're left with

nothing." Some respondents described how financial service providers intentionally made the process public to shame their neighbors.

Fatima, an owner of a small restaurant in Machakos City, also mentioned the inconsistency of her collections process—she was never sure whether her loan officer would be flexible or strict in response to arrears. She described her loan officer as a "lion." "He's easy to talk to, but then he has to chase you." She described running and hiding when she saw her loan officer coming. "He tells you, 'I'm not going to leave until you give me my money'… He wants to stay until you give him the money, but you don't know where to go or what to do. They keep coming around and around… We are humans too."

Here, beyond the obvious need to develop stronger operational controls and supervision, technology provides a means for FSPs to inform customers of their rights and of redressal mechanisms through educational SMS messages—enhancing the consistency of otherwise flawed human behavior.

Lost Savings: A Challenge With In-Person FSPs

Six of our respondents described losing savings they had deposited with in-person FSPs, a high number given such a small sample.

One rural respondent described saving KES 10,000 (USD $100) at a government-affiliated SACCO, but was only able to withdraw KES 6,000 (USD $60). When asked if he tried to get the rest back, he responded, "I know my position. I cannot talk to senior people."

Three respondents lost money when saving at large commercial banks. One respondent said that KES 1,000 (USD $10) disappeared from his savings account. He went in person to try to get it back. He described, "It was a long process to follow up and I didn't know if I would get it back. So I just withdrew. The guy [who was serving me at the bank] was not that good. He did not have that time to explain why that money got away from my account."

James, a recent university graduate in aeronautical engineering who was selling plants at a road-side stall in Nairobi, also deposited money that was never posted to his account at a major bank. He presented a receipt to branch staff, but was still not able to resolve the problem, so he closed his account.

FIGURE 11

Abu's Efforts to Withdraw Savings
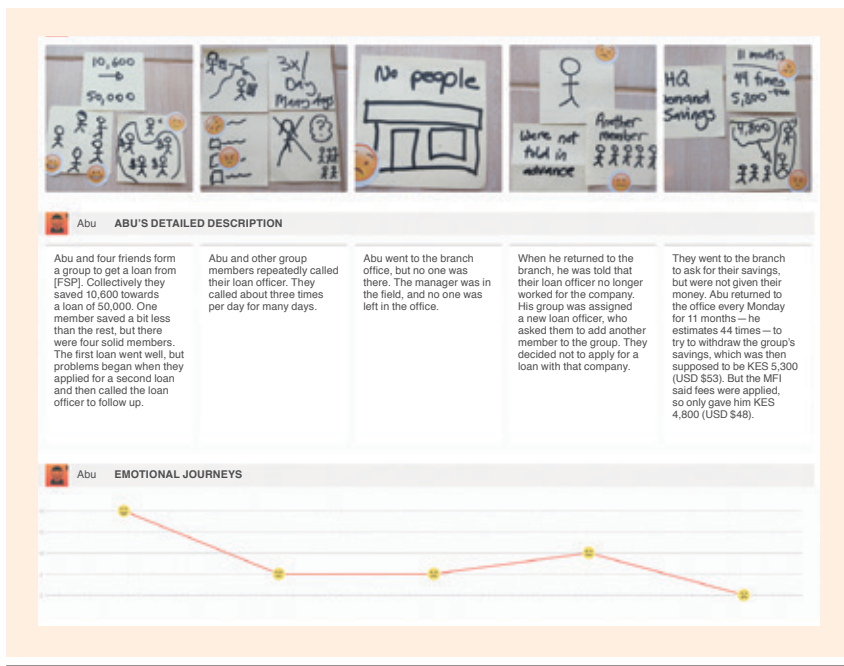
Marcy, a 40-year-old founder and principal of a primary school, shared her story about a debit card fraud in which she lost KES 82,000 (USD $820)—an experience she described as devastating.[10] She made an ATM withdrawal to do her shopping, leaving her account balance at USD $950, and when she returned to the bank a week later, her account had only USD $130. She reported the theft to the bank, but they told her that they couldn't help her because she had possibly exposed her card number and PIN to a thief. Now she only accesses her account through a teller.

One respondent was not able to obtain the entirety of his savings, even after 44 separate visits to his MFI (Figure 11).

In these areas, automated digital messages can provide an important safeguard. At a basic level, they can inform customers of cash movements into or out of their accounts. They can also create higher levels of accountability by informing customers of their rights and of centralized redressal mechanisms. Technology can also cast a wider net for customer feedback through SMS surveys that include freeform feedback.

Who Wants Human Touch and When: A Segmented Look at the Customer Journey

In our sample, women, feature phone users, rural dwellers, and older respondents preferred human interaction in greater majorities. Men, smartphone users, urban dwellers, and younger respondents preferred to use their phones in larger numbers (though a majority still preferred human interaction when getting product information or resolving a complaint.)
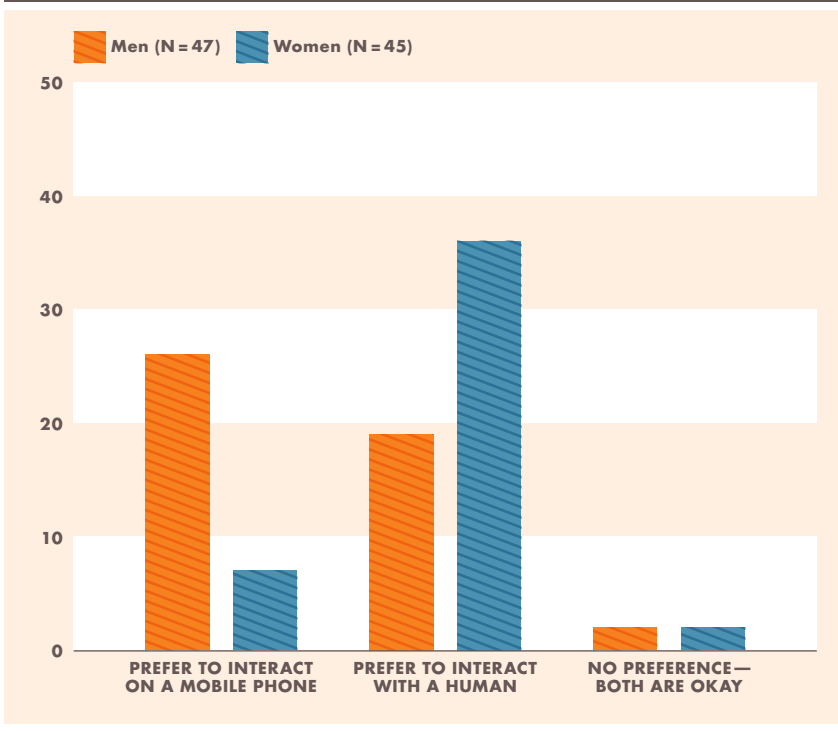
FIGURE 12

Interaction Preference for Asking Questions When Confused, Respondents

Men (N = 47) Women (N = 45)

Gender Observations

Men in our sample were more comfortable interacting digitally at every stage in the customer journey, but the differences in the preference for human interaction was most striking when reaching out to the FSP to ask a question. Eight out of every ten of our female respondents preferred to ask a question in person. "If I have a question, I take myself there," said one female respondent. "It's easier to understand each other," said another. Clarity and "getting the full picture" were again the primary motivators, but were more commonly expressed by women. More than half of our male respondents preferred to ask questions via the phone or had no preference and were comfortable either way.

Interestingly, a majority of our female respondents preferred to conduct regular transactions with the support of a person as well. For rural women, this mostly corresponded with low literacy. Rather than traveling to a bank branch, respondents would seek out a trusted agent nearby or enlist the help of a relative to transact directly. For urban women, the reasons were different, and included a preference for paper rather than digital record keeping or wanting to be known by the FSP staff. For example, Jea, a caterer who also runs a small open-air restaurant outside of Wangige in Kiambu County, made her payments in person while she was in town shopping for her business. In her case, the MFI branch didn't accept cash, so she walked into the office, and made an M-Pesa transfer to the MFI's account in front of the branch staff. "They will know this girl—they will know I don't mess with this office," Jea explained.

FIGURE 13

Interaction Preference for Getting Information About Products or Services, Smartphone Users (N=50)

	Prefer to interact on a mobile phone	29%
	Prefer to interact with a human	59%
	No preference—both are okay	12%

She shared that her reputation for reliability is helpful when she has trouble making a payment—as she did on the day she was interviewed—due to a delayed payment from a catering customer. "Me, I like face-to-face."

Type of Phone Used

As would be expected, smartphone usage correlates with an increased preference to engage digitally at every stage of the customer journey. Again, asking questions was a significant area of differentiation, with a slight majority of smartphone users preferring to interact over the phone while a strong majority of feature phone users—more than three quarters—preferred to interact with a person.

There was also a significant differentiation among respondents for signing up for a product or service. Almost three quarters of feature phone users preferred to sign up in person, while less than half of smartphone users did.

One area of interest was the extent to which smartphone users still preferred in-person interaction to get product information. A number of our respondents had recently acquired smartphones and were still learning how to sift through the broad array of information and offers that the technology introduced. Geoffrey, a hospital housekeeper from Nairobi, was taking night classes to become a paramedic. The coursework requires internet access and because he couldn't afford a laptop, he purchased a smartphone. "Technology is good—very good. But ads pop [up] from your phone with deals. They ask you for money, make you to fear being hacked. It demoralizes you." The newness of the technology heightened, for some, the need to verify financial providers in
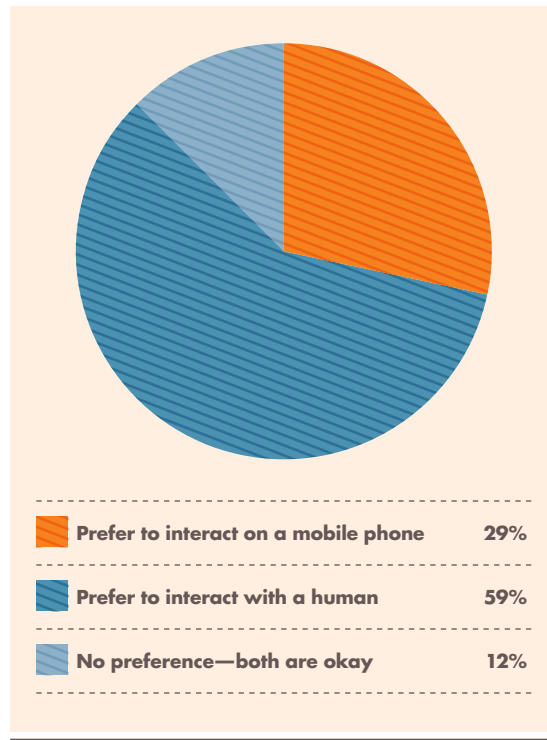
person. Geoffrey had taken one Equitel Eazzy loan, but went to a branch first to understand it. And like a number of our respondents, Geoffrey was not able to consistently afford the cost of data; when he does have it, he prioritizes his academic studies.

Another area of interest was how universally feature phone users preferred to resolve a problem in person. This preference held strongly for every segment. Even the smallest majorities were sizeable: three quarters of smartphone users and men preferred human interface. But for feature phone users (and women) the slice of the segment that preferred to interact digitally was miniscule—only two respondents, highlighting a strong need to provide in-person interface to effectively reach these segments.

FIGURE 14

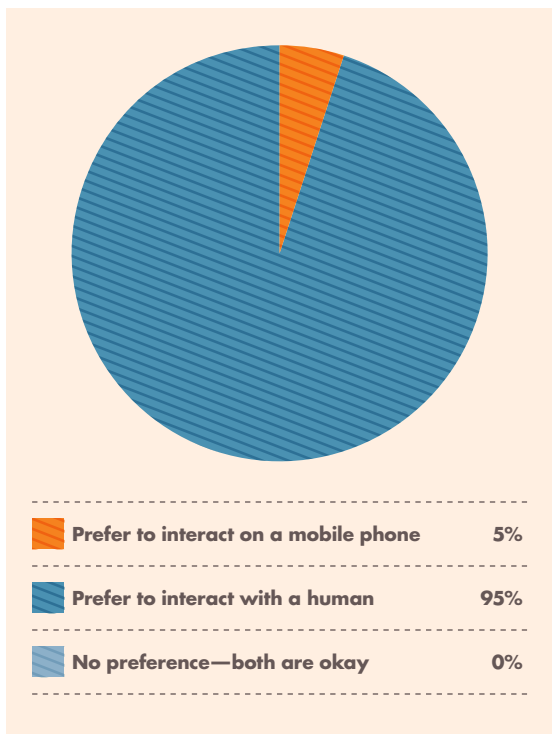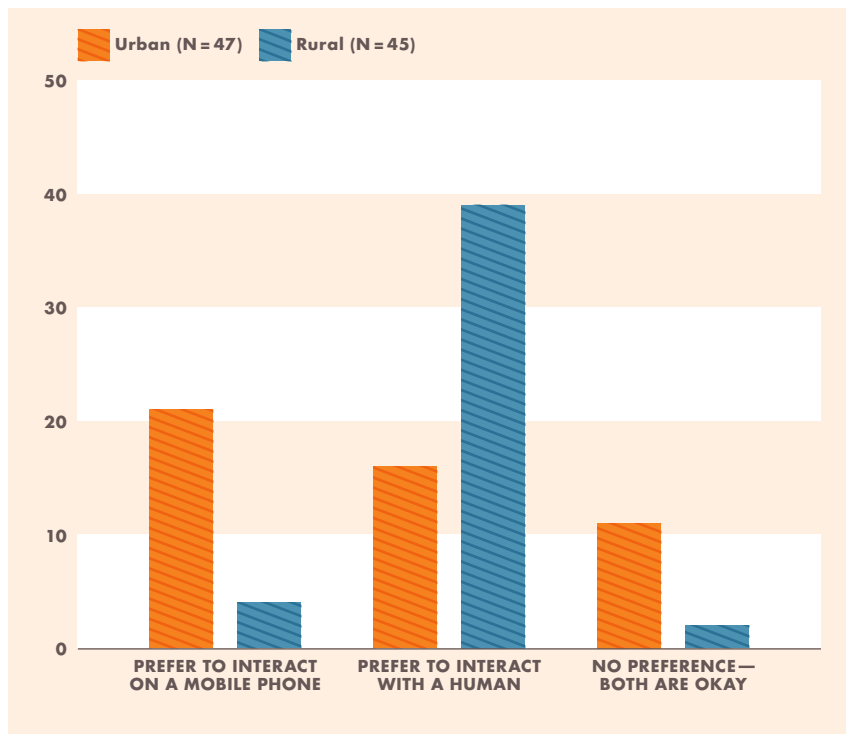**Interaction Preference for Resolving a Problem, Feature Phone Users (N=43)**

▮ Prefer to interact on a mobile phone	5%
▮ Prefer to interact with a human	95%
▮ No preference—both are okay	0%

FIGURE 15

Interaction Preference for Signing Up for a Product or Service, Respondents

Urban (N = 47)   Rural (N = 45)

Rural/Urban

As anticipated, urban respondents were more comfortable with digital interface overall while rural respondents expressed higher levels of apprehension. "We are in fear," said one rural dweller. "We fear to lose the money." A number of these respondents relied heavily on agents to help them understand products and to conduct transactions.

However, rural respondents who were comfortable with digital interface expressed deep appreciation for the time and money they saved in travel. "The [M-Pesa] fee is 22 shillings [USD $0.22]. Transport is 50 [USD $0.50], plus the time you spend," explained one rural respondent.

The starkest difference between urban and rural preferences was signing up for an account or service (Figure 15).

Urban respondents benefit from the dense proximity of many people who are familiar with how to sign up for a product or service. Rural respondents often need to travel to a branch to accomplish this task. As Kadenge, a 25 year old maize farmer from rural Western Province explained, "I went to Equity Bank to find out about the EazzyApp. It's easy when they explain the download steps one-on-one."

Recommendations: Can Centaurs Outperform Unicorns?

4

The primary finding of this research is that while Kenyans' comfort levels for conducting transactions digitally is high, other key aspects of the customers' journey with loans, savings, and insurance products are not adequately handled by digital means alone. Digital interface offers tremendous advantages including speed, scale, and freedom from human inconsistency. However, humans offer other strengths.

In chess, "centaur teams" in which computers and humans team up consistently outperform human-only or computer-only teams. The computers provide the brute calculation force based on a large database of historical games. The humans must decide which programs to consult for the specific situation they face in that moment against that particular opponent, and then whether to follow that advice or use their native skill. And interestingly, the teams that excel are not those with the best software or the best chess ability. They are the competitors who understand the strengths of each player and play accordingly. In the first major freestyle competition, four centaur teams placed as finalists. Three of the four finalists were chess grandmasters aided by military-grade supercomputers. But the winners were amateurs—a soccer coach and a database administrator—who used three artificial intelligence (AI) programs running on consumer-grade computers. They explained, "We knew that this AI system performed better in this environment. We knew this [other AI program] was better over here [in a different environment]. When the system and the game moved itself into those places, we'd switch between our machines. Sometimes we'd ignore them all and sometimes we'd play what we thought was best."[11]

This research has demonstrated that when it comes to value-added financial services in Kenya, there are a number of roles that humans perform best. Humans have the ability to analyze contextual information and to communicate accordingly. They can offer assurance and empathy. They can explain products in a way that puts customers at ease, encourages them to ask all of the questions they have, and enables them to leave the encounter confident in their ability to use the product. Without appropriate human touch, FSPs may miss out on opportunities to attract and retain more customers.

This research has also demonstrated that there are number of areas where human interface needs to be shored up by the consistency of digital communication. Automated digital messages that inform customers of cash movements into or out of their accounts, communicate their rights and redressal mechanisms, and cast a wide net for feedback (including free-form text responses) all provide important safeguards.

We think most FSPs, their customers, and the financially excluded would benefit from a powerful combination of human and digital interfaces. Here's what we recommend:

Boosting Agents' Support Capacity

In Kenya, most financial transactions occur through mobile network operator (MNO) agents who cannot provide any support beyond sending money. Internationally, most agents focus on cash-in/cash-out transactions, struggle to balance liquidity, and are minimally profitable.[12] For MNO agents to provide meaningful support for products beyond basic payments, they must be well-selected, well-trained, well-supervised, and sufficiently motivated. Larger FSPs will need to prioritize the cost of these agent management activities. Smaller FSPs may need to band

together using agent network aggregators to share costs and to achieve a broader physical footprint (and to free agents from the juggling act of balancing separate e-values for each provider). Putting well-equipped agents in closer physical proximity to underserved populations would allow for the human interface needed to explain products to customers in a way they can understand (i.e., through a conversational style, in the local language and at a speed that allows for questions).

Improving the Quality of Call Centers

Currently, Kenyans do not trust virtual forms of communication to resolve problems. Many respondents were adamant that in-person conversations were the only way to effectively resolve problems. For this to change, FSPs will need to establish call centers staffed with effective customer advocates. FSPs must prioritize recruiting effective and empathetic communicators, equipping them with the systems and training needed to solve customer problems, and providing them with a clear and fast means for escalation of more challenging issues. Improving call centers will require a significant investment in systems, continual training, and close supervision, including follow-up contact to ensure customers are satisfied with the help they received.

JUMO places a high priority on creating call center encounters that establish trust. KopaCash, their Airtel-branded product in Kenya, is serviced by a dedicated team within Airtel's contact center. JUMO monitors queries and runs an escalations hub for issues that are not resolved within 48 hours, working with various departments, such as engineering, treasury, and fraud, to facilitate fast responses. According to Buhle Goslar, JUMO's Director of Customer Intelligence, the queries provide "rich data" that JUMO uses to make operational changes to prevent problems from occurring in the first place. JUMO also provides the call

center team with regular refresher training and weekly onsite support from a JUMO specialist. Part of the training focuses on providing a "warm voice" to the segment of customers that needs extra reassurance or explanations. And they have also found that a valuable segment of their users—those with a higher sense of responsibility—want to be able to explain to a person why a payment will be late. According to Buhle, the empathy provided by a call center staff who responds to a person who calls to say, "It breaks my heart when I get a message that I've got a penalty" is an important link in keeping these customers—which JUMO deems as lower risk over time. "Across our markets these are the segments that call the most, not service or operational issues. In a perfect world, it would be only these people [needing reassurance] calling," said Buhle.

Using "Branches" Strategically

We think it will be important for most FSPs to offer a lean but strategic physical footprint to facilitate the more advanced aspects of servicing value-added products, as well as to provide face-to face-support to customers who are not able to solve problems in other ways. Freed of the need to handle cash transactions, branches need not be expensive and could be as simple as a kiosk in a market. The quality of human interaction is determined by employee selection, training, supervision, and incentives—not the physical space in which the communication is happening. This footprint will also reduce risk to the FSP, as staff members can provide contextual verification (or modification) of credit analysis for larger loans derived from mobile data.

Forming Partnerships

Partnerships will drive the next generation of financial services and will provide ample opportunity to better serve excluded

populations by incorporating human touch. A leading example is ACRE Africa, which provides index-based crop insurance to maize farmers in partnership with Seed Co, Safaricom, and UAP insurance.

The product insures the maize crop grown from Duma 43, a product of Seed Co, for the first 21 days of germination. When farmers purchase seed, inside each packet is a registration card with a unique voucher to register for the complimentary crop insurance. If satellite rainfall data indicates that the amount of rain was inadequate in the 21 days following registration, the farmer receives an automatic payout covering the cost of the seed (around KES 450 or USD $4.50 per packet). ACRE found that having the registration cards in the packets was not sufficient for most customers to actually register for the insurance. Some didn't trust it, others couldn't read it, some didn't understand it, while others simply got frustrated that the network was down or forgot to register entirely. ACRE found that it needed to offer in-person trainings and recruited seasonal agents to explain that the coverage was provided by Seed Co as a "promotion" for its Duma 43 customers, what it covered and what it didn't cover, how to register, and why registration was important.

None of the customers we interviewed had ever received a payout, but they valued the product, and unlike other insurance products we mapped, they understood it.

Caroline registered for the crop insurance after purchasing seed from the agrovet and then finding the registration card in the packet on her own. She didn't really understand how they would know which farmers to compensate and how they would "give [her] the packet of maize back." Caroline said registering was easy and she got an immediate message back confirming her registration. Four days later, she got a phone call from an ACRE agent thanking her for registering and explaining how the product worked. "Customers can call the agents at any given time and they are guided on the products to use. They are so good and friendly. They even ask if someone has understood the process." Two months later, Caroline got a visit from an agent to see how her crop was doing. "That's when I trusted them." Another respondent commented, "They are so concerned about the customers. They want us to benefit with the products."

Similarly, KCB MobiGro, in its pilot phase during this research project, uses partnerships to provide human interface. The product targets smallholder farmers and pastoralists in underserved rural areas with loans, savings, and insurance. KCB partners with farmers' associations to provide in-person product education to orient new customers. "We prefer human touch when it comes to educating," explained Clarisse Aduma, SME Relationship Manager–Agribusiness at KCB Bank Group.

For smaller financial inclusion-focused FSPs or those not already in relationship with telcos (which is the vast majority), field staff will continue to extend the FSP's reach. Many customers, and particularly the most excluded, will welcome differentiation based on human insight-driven credit assessment and stronger human relationships. To be financially sustainable, these institutions will need to improve their operating expense ratios through a savvy use of digital field applications and digitized workflows to improve field staff productivity. The most customer-centric of these FSPs will create new products based on analysis of their digitized yet highly contextual customer data, as well as field staff insight.

These "centaur" solutions, which unite the best of both tech and touch, will provide more people at the base of the pyramid with a more comprehensive set of tools to accomplish their financial goals. The market—and the potential for impact—are enormous.

Research Methodology

To answer the research questions, we engaged in a two-pronged qualitative research approach. We wanted to learn from the insights of the front-line professionals who think about effective human touch every day. The first part of our research included interviews with executives as well as operations and customer experience directors from nine financial service providers, with five focusing on loans and four focusing on insurance. The providers spanned the spectrum from low-touch to high-touch.

The second prong of the research approach involved in-depth qualitative interviews with 104 individual respondents. 63 of the respondents were customers recruited by seven of our participating providers (each FSP was asked to provide eight customer contacts—four active and four inactive). In many cases, we mapped a product that was from a different provider than the referring institution, particularly if field staff from the referring institution was present. We recruited 43 respondents independently.

Customer interviews (both FSP-sourced and independent) included a scan of current and past use of savings, loan, and insurance products; differentiating factors about each provider; when each product was most recently used; and for former or inactive products, the reason the respondent stopped using them.

We then selected one product salient to the research focus and engaged in a customer journey mapping exercise. The concept of a "customer journey," as articulated by then FROG innovation specialist Adam Richardson in *Harvard Business Review*,[13] has been a useful lens to examine motivations for and barriers to digital financial inclusion.

This research used the overarching customer journey framework (see below) developed by GSMA.[14]

The exercise involved asking a series of questions for each stage of the customer journey, for which interviewers then drew on a series of sticky notes. The drawings allowed interviewers to delve more deeply into "wow factors" and "pain points" and the role of human touch in the experience.

After completing the customer journey mapping exercise, we asked respondents where they have sourced money for a common set of expected and unexpected expenses of varying sizes, including replacing a broken phone, paying for school fees, making a business investment, visiting the hospital, or buying furniture. We showed them an icon for each expense,[15] and asked for their top three sources for each based on past experience. The findings from this part of the interviews will be published at a later date.

Customer Journey Framework

AWARENESS ▸ REGISTRATION ▸ TRIAL ▸ USAGE ▸ DROPOUT

We then told our respondents that we wanted to talk with them about their preferences for each stage of choosing and using a financial product—including accounts or services on their mobile phone. We asked our respondents "Would you rather talk to a staff member of a financial institution or use your phone to do each of the following?" and then, one at a time, we listed six key steps in the customer journey:

> Getting information about loans or savings product options, including products or services on your phone
> Signing up for an account or service
> Conducting regular transactions (e.g., depositing or withdrawing savings; getting or repaying a loan)
> Asking a question/are confused about something;
> Resolving an issue or complaint

For each step, we also showed the respondents an icon of a mobile phone and an icon of a person and asked them to select their preference and to explain the reason why.

Interviews lasted 90 minutes on average and respondents were given a solar flashlight or a bag of groceries (depending on the location) in appreciation of their time. In one case, a participating institution had a policy of cash payment, and we accommodated that requirement.

The resulting customer journey maps from interviews facilitated by the financial service providers are proprietary to those organizations, and several providers began to make changes based on their findings while the overall study was in progress.

Respondent Sample

The total sample size was 104 respondents. This report uses a qualitative research approach and our sample is not a statistically representative sample of the Kenyan population. However, we sought diversity in gender, age, education, income level, and geographic location (both urban and rural from the eastern, central, and western parts of the country). We have included demographic data on our respondent sample, as well as national demographic information to help readers interpret the findings. The names of the respondents have been changed in this report to protect their identity.

Source Google Maps.

Geographic Outreach

Interviews were organized around the following hubs: Nairobi, Machakos City, Narok Town, Meru (in Eastern Province) and Eldoret (in Western Province). Interviews identified as "urban" also include periurban areas. Rural interviews occurred within a two-hour driving perimeter of these five hubs.

Breakdown by Urban/Rural

	NUMBER OF RESPONDENTS
Urban	50
Rural	54
Total	**104**

In contrast to our sample, Kenya's rural population was 74 percent of the total in 2015.[16]

Breakdown by Age

AGE	NUMBER OF RESPONDENTS
Up to 34	48
35–44	32
45–54	16
55–65	8
Total	**104**

Most of the respondents in the "Up to 34" category are between 24 and 34 years old. A number of digital providers in Kenya do not provide loans to people under age 24 due to higher risk.

In terms of Kenya's actual adult population (age 20 and older), 20-to-34-year-olds are 53 percent of the population, ages 35–44 are 21 percent, ages 45–54 are 12 percent, and ages 55 and above are 14 percent of the population.[17]

Breakdown by Gender and Type of Phone:

	BASIC OR FEATURE PHONE	SMARTPHONE	NO PHONE	TOTAL
Female	31	20	1	**52**
Male	21	31	0	**52**
Total	**52**	**51**	**1**	**104**

In terms of gender, GSMA reports that 61 percent of male mobile phone owners in Kenya have used the internet on a mobile phone, compared to 43 percent of women.[18]

As of September 2016, Kenya had 90 percent mobile penetration. Published smartphone penetration rates range between 44 percent (Google's Consumer Barometer)[19] and 67 percent (Jumia Business Intelligence).[20]

Breakdown by Income Level (per month):

LEVEL OF INCOME (IN KES)	NUMBER OF RESPONDENTS
Under 10,000 (USD $100)	14
10,000–19,999 (USD $100–199)	30
20,000–29,999 (USD $200–299)	17
30,000–39,999 (USD $300–399)	9
40,000–49,999 (USD $400–499)	7
50,000–99,999 (USD $500–999)	8
Above 100,000 (USD $1,000)	7
Unable to estimate	12
Total	**104**

Breakdown by Level of Education

LEVEL OF EDUCATION	NUMBER OF RESPONDENTS
None, Some or All of Primary	36
Some or All of Secondary	38
Beyond Secondary (Certificate, Some or All of University, Masters)	30
Total	**104**

In contrast to this sample, the current enrollment rate in tertiary education is 4 percent.[21]

Limitations of This Study

This study did not incorporate interviews in the coastal or northern parts of Kenya due to time and budget constraints.

The customer journey mapping component of the interview as well as our questions on preferences for human or digital interface were not applicable to our nine respondents who had never used a formal financial product of any kind. There were no customer journeys to map and there was no frame of reference to express preferences. For these interviews, which occurred in remote rural areas, we delved more deeply into respondents' experiences with informal mechanisms, and what they liked and didn't like about them. The best research currently available on how Kenyans use informal mechanisms to manage their money is the Kenya Financial Diaries "Shilingi Kwa Shiligi: The Financial Lives of the Poor" published by FSD Kenya in 2014.

This study also did not include any agent interviews. Agents are an important part of the digital ecosystem, and a number of our non-literate respondents rely on trusted agents in order to transact. However, in Kenya most agents provide only a cash in-cash out function. This study focused on the direct connection between a customer and the financial institution providing them with a loan, savings, or insurance product. For those interested in learning more about agents in Kenya, we recommend MicroSave's Helix Institute of Digital Finance, and particularly the "Agent Network Accelerator Survey: Kenya Country Report 2014."

Notes

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8 In cases where the responses tally to slightly less than the N number, the question was not answered by the respondent.

9 13 of our respondents were not using any formal loans or savings products. Most of them were in remote rural areas and did not have the frame of reference needed to be able to answer questions on preferences for formal products. These respondents were heavy users of informal mechanisms, using up to six chamas to manage their finances. Three of the financially excluded urban respondents were in extreme financial distress, so questions of interaction preference were not relevant to them due to their immediate crises.

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